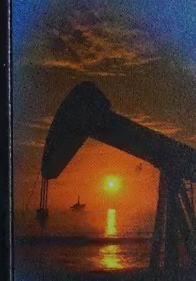


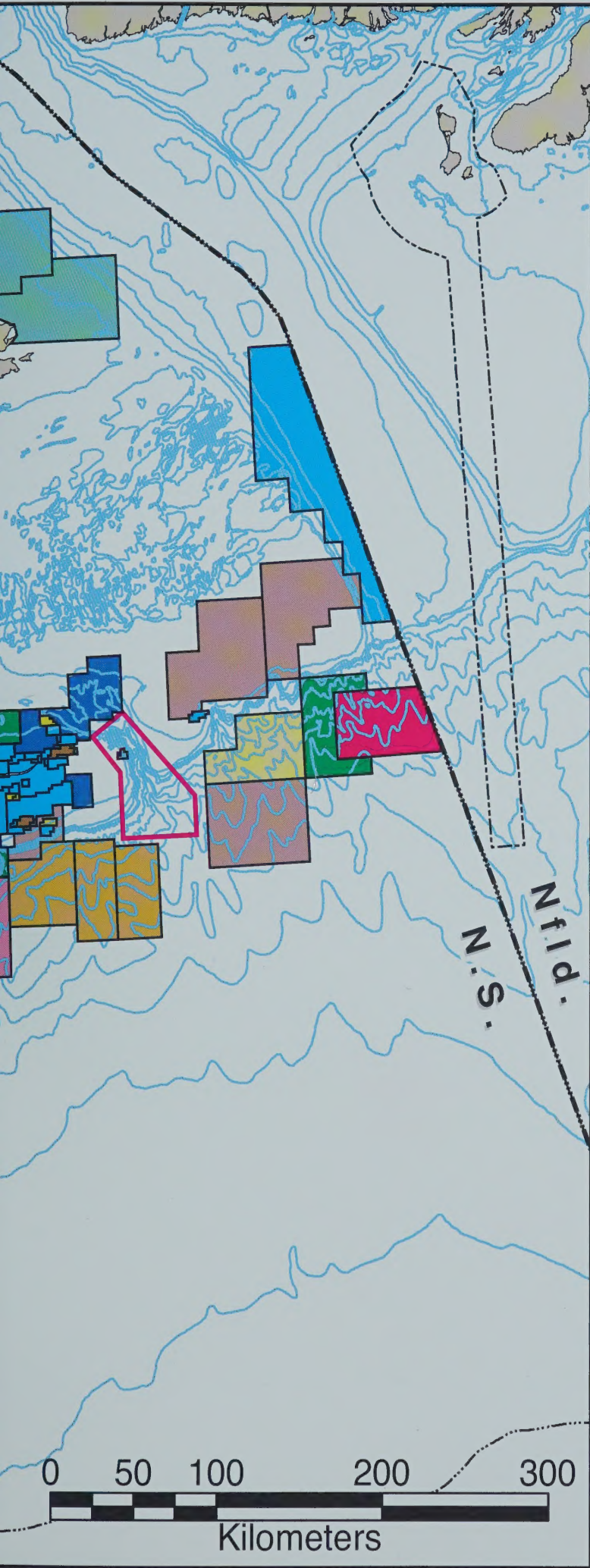
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2003 Annual Report







Licence Representatives



- BEPCo. Canada Company
- BP Canada Energy Company
- Canadian Superior Energy Inc.
- Chevron Canada Limited
- Corridor Resources Inc.
- EnCana Corporation
- ExxonMobil Canada Ltd.
- ExxonMobil Canada Properties
- Hunt Oil Company
- Imperial Oil Resources Ventures Limited
- Kerr-McGee Offshore Canada Ltd.
- Marathon Canada Petroleum ULC
- Richland Minerals, Inc.
- Shell Canada Limited



• CORPORATE PROFILE •

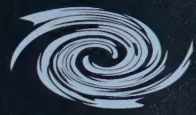
Endless Energy Corp. is a prospect generating Canadian junior oil and gas exploration and development company with production in Alberta and British Columbia. The company commenced operations in 1997 concentrating on prospects predominately in Western Canada; however, with the recent successful acquisition of Nova Scotia Resources Limited, the Company plans to shift its focus to the extraordinary offshore exploration opportunities near Sable Island, Nova Scotia.

Endless Energy Corp. has a dedicated technical team of geologists that has over 400 years of combined experience in the oil and gas industry.

Common shares of Endless Energy Corp. trade on the TSX Venture Exchange under the symbol EEC.

Annual General Meeting

The Annual General Meeting and Special Meeting of Shareholders will be held on Monday, May 31st, 2004 at 2:30 p.m. MDT in the Aquitaine Auditorium, 2nd floor, 540 5th Ave SW, Calgary, Alberta. Those shareholders unable to attend are encouraged to complete and return the form of proxy mailed to the shareholders with this annual report.



Seismic surveys of the ocean floor of the Atlantic region began in the 1960's. Early data suggested the region off Sable Island, approximately 250 km off the coast of Nova Scotia, to be rich in petroleum. In December of 1999, the first gas flows were shipped onshore via the Maritimes & Northeast Pipeline. The Sable Offshore Energy Project (SOEP), formed in 1995, is anticipated to harvest over the next 20 to 25 years, nearly 1.5 trillion cubic feet of gas. Shareholders of SOEP include ExxonMobil Canada Properties Ltd., Shell Canada Limited, Imperial Oil Resources, Pengrowth Corporation, and Mosbacher Operating Ltd. In 1998, PanCanadian discovered gas production from the Abenaki reef 30 miles west south west of Sable Island at "Deep Panuke". To date, some 200 wells have drilled in the Scotian Shelf which covers over 400,000 square kilometers.

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Acquisition of a Strategic Offshore Nova Scotia Asset

The year 2003 provided a rollercoaster ride for shareholders of Endless Energy Corp. (the "Company"). Our first attempted acquisition of Nova Scotia Resources Limited ("NSRL") failed early in 2003, primarily due to our inability to satisfy a \$17.5 million bond requirement. This failure did not deter us. We patiently worked to re-submit a bid for NSRL on acceptable terms to the Province of Nova Scotia. On October 22, 2003, our persistent efforts were rewarded with notification by the Province of Nova Scotia that our reformulated bid of \$3 million was accepted. Of particular note in the reformulated bid were the removal of the \$17.5 million bond requirement and the participation of a partner, Marauder Energies Inc. ("MEI"). When the acquisition was completed, Endless Energy expended \$1.4 million for a 49% interest in NSRL. In order to cover the \$1.4 million cash purchase requirement, Endless Energy sold \$1,000,000 of producing properties in Western Canada which, when combined with cash on hand and private placements from the Officers and Directors of the Company, ensured that the purchase of NSRL could be completed without additional financing.

The NSRL acquisition has allowed Endless Energy to gain a strategic position in the heart of a large offshore Nova Scotia play which is of significant interest to major oil companies. Existing 3-D seismic indicates a probable extension of the Panuke, Margaree, MarCoh Jurassic gas-bearing reservoir on to our newly-acquired lands (NSRL Block, PL-2901 Cohasset). After closing the NSRL acquisition, a successful gas well, MarCoh D-41, was drilled less than two miles from our Cohasset Block. EnCana Corporation ("EnCana") has announced 360 feet of gas pay in this well. The MarCoh D-41 well is owned 51% by Exxon/Mobil Resources Ltd., 24.5% by EnCana (the operator) and 24.5% by Shell Canada Limited. It is worth noting that the first ten thousand feet of the MarCoh D-41 well were drilled through oil and gas rights now held by Endless/MEI (50%) and EnCana (50%) on Production Licence 2901. Up-hole information will be available to us in 19 months at no cost. The MarCoh D41 well has established a straight line of drilling successes extending approximately seven miles from the Panuke gas field, through the Margaree well to the MarCoh well, with the next logical location on our Cohasset Block.

This acquisition included not only the Cohasset Jurassic gas opportunity, but also a 50% working interest in up-hole sand reservoirs in two offshore Production Licences (PL-2901 and PL-2902), equipment and seismic data. About 45 million barrels of light gravity oil have already been produced from the Cohasset and Panuke reservoirs; nevertheless, there is potential for further production of oil from structures evident in existing wells and confirmed by MEI's engineering and 3-D seismic interpretation.

Proposed Plan of Arrangement

Subsequent to year-end, the Company announced its intention to proceed with a Plan of Arrangement to combine the interests of Endless Energy and MEI into one new publicly-traded company. The Company will acquire MEI's 51% equity interest in NSRL in exchange for Endless Energy shares. Upon completion of the Plan of Arrangement, Endless Energy will own 100% of NSRL, which will be renamed "Marauder East Coast Energies Inc." This Plan of Arrangement contemplates completion of a \$30 million financing by way of a private placement; \$20 million will be placed as flow-through shares and \$10 million as common shares. This injection of capital will be exchanged for a total of 12 million shares priced at \$2.50 per share.

MEI is a private company primarily staffed by reservoir and petroleum engineers. MEI's personnel complement ours as we are principally exploration geologists, geophysicists and prospect generators. This acquisition of NSRL, combined with the Plan of Arrangement with MEI and the \$30 million financing, provide the shareholders of Endless Energy with significant positioning in prospects capable of achieving substantial appreciation in share value.

• PRESIDENT'S MESSAGE •

Operations

Effective July 1, 2003, the sale of six producing properties, namely Pocketknife, Lochend, Venus, Utikuma, Fort Saskatchewan and Campbell, temporarily eliminated all of Endless Energy's Western Canadian production. The core asset of the Company now consists of 49% of the shares of NSRL. During 2003, the Company's acquisition costs, debts and obligations were satisfied from proceeds realized on the sale of Western Canadian properties, from the placement of \$530,000 of flow-through shares, \$455,260 of common shares and \$220,000 of convertible debentures. An additional \$464,740 of common shares was placed in January 2004.

During the last quarter of 2003 and into the first quarter of 2004, the Company took meaningful steps to re-establish Western Canadian production, while continuing to assess our opportunities offshore Nova Scotia. We monitored the drilling of the successful MarCoh well offshore Nova Scotia, we completed the NSRL acquisition and we drilled and tied in an Acadia gas well in Alberta. At Enchant, we had six miles of seismic shot under a seismic option agreement, resulting in a Mississippian exploration well drilled for us at no cost, while retaining a 20% working interest. Early in 2004, we purchased Mistahiya Resources Inc., which established our production of 55 barrels per day. In March of 2004, we successfully reworked one of the Mistahiya properties to bring on an additional 30 barrels per day, thereby increasing current Western Canadian production to 85 barrels per day.

Significant Properties

As of December 31, 2003, the Company held interests in 21,932 gross acres (7,225 net) in Western Canada. Offshore Nova Scotia we hold a 0.25% royalty interest in 814,847 acres and a 50% working interest in 753,152 acres. We also hold a 24.5% working interest in 18,414 acres, which will increase to a 50% working interest upon completion of the Plan of Arrangement. Endless Energy currently holds interests in 22 properties: three in British Columbia, ten in Alberta and nine in Nova Scotia.

Offshore Nova Scotia

The **Cohasset/Panuke** production licences contain four separately defined reservoirs. In the Cohasset/Panuke/Balmoral property descriptions outlined below, the reserves summarized are held by NSRL. Currently NSRL is 49% owned by Endless Energy. After completion of the Plan of Arrangement, Endless Energy shareholders will control 100% of the NSRL reserves. The net present value of probables (discounted at 10% and risked at 50%) is calculated to be \$252,141,000. Production Licence PL-2901 (Cohasset) contains 6,434 acres and Production Licence PL-2902 (Panuke) contains 11,950 acres.

Balmoral Jurassic: (Gas prospect located on Cohasset PL 2901)

The Balmoral Jurassic property is a gas property located up-dip from the "Deep Panuke" gas pool. To date, seven wells have been drilled in the Deep Panuke area, two of which were drilled in 2003 (Margaree and MarCoh). This gas property lies approximately one mile east and northeast of Encana's MarCoh well, which reached a total depth of 3,700 meters in late October 2003. The Balmoral Jurassic property has been assigned probable gas reserves of 173 billion cubic feet, with a net present value (discounted at 10% and risked at 50%) of \$111,779,000. This independent report assumes that capital expenditures of \$41,616,000 are incurred in 2005.

Balmoral Cretaceous: (Oil prospect located on Cohasset PL 2901)

The Balmoral Cretaceous oil property is located up-hole from the Balmoral Jurassic gas property on the same lands. This property once produced 50 degree API light oil from Cretaceous sands. It was part of the original Cohasset oil pool operated by Lasmo until 1999 and produced approximately five million barrels. Independent engineering has assigned probable oil reserves of twelve million barrels, with a net present value (discounted at 10% and risked at 50%) of \$46,252,500. The report assumes that capital expenditures of \$62,424,000 are incurred in 2005.





• PRESIDENT'S MESSAGE •

Cohasset Cretaceous: (Oil prospect located on Cohasset PL 2901)

The Cohasset Cretaceous oil property is adjacent to the Balmoral Jurassic and Balmoral Cretaceous properties and includes all rights from surface to the top of the Jurassic zone. This oil property produced approximately 24 million barrels of 50 degree API light oil between 1993 and 1999. Independent engineering has assigned probable oil reserves of twelve million barrels, with a net present value (discounted at 10% and risked at 50%) of \$46,252,500. The report assumes capital expenditures of \$62,424,000 are incurred in 2005 on this property.

Panuke Cretaceous: (Oil prospect located on Panuke PL 2902)

The Panuke Cretaceous oil property contains all rights from surface to the top of the Jurassic zone. This property is part of the original Panuke oil pool which produced approximately eighteen million barrels of 56 degree API light oil between 1992 and 1995, with Lasmo and PanCanadian acting as operators. Independent engineering has assigned probable oil reserves of 9.7 million barrels, with a net present value (discounted at 10% and risked at 50%) of \$47,857,000. The report assumes that capital expenditures of \$31,212,000 are incurred in 2005.

Sable Island Royalties

(Exploration Licences EL 2383, EL 2386, EL 2393, EL 2396, EL 2401, EL 2402)

Near Sable Island, Endless Energy owns a 0.25% gross overriding royalty on 814,847 acres, covering five offshore exploration licences. Two of these licences are in the shallow water located at the extreme up-dip end of Deep Panuke, with Cretaceous oil and Jurassic gas as targets. Canadian Superior Energy Inc. is the operator. Three of these licences are in deep water and Kerr-McGee Offshore Canada Ltd. is the operator.

Endless Energy received a surrender of Licence EL-2386 and converted its 0.25% royalty interest in this deep water exploration licence into a 50% working interest, subject to a 0.75% gross overriding royalty. The area of this licence is large, containing 753,152 acres. The original working interest holders were required to post a \$6.22 million work commitment bond to secure their working interest. No such requirement exists for Endless Energy. On or before June 30, 2004, the Company will be required to pay a \$250,000 drilling deposit to continue this Licence EL-2386 for one more year. In relation to the Sable Island royalties, discussions are being conducted with the working interest holders that could result in changes to the ownership positions described above.

Western Canadian Properties

At **Acadia**, the Company entered into a seismic review option agreement with a private oil and gas company. They had until September 30, 2003 to elect to drill a Viking test well and Endless Energy now retains a carried 11% working interest in the project. The well was successfully drilled before year-end and put on production March 1, 2004.

At **Enchant**, Endless Energy entered into a seismic option agreement with a private oil and gas company which shot six miles of seismic in December 2003. They committed to drill a test well which spudded on March 18, 2004. The Company retains a 20% carried working interest after the drilling of the well to the base of the Mississippian formation and a 45% working interest in all rights below the base of the Mississippian formation.

On the **Lucy** project, the Company sold its Jean Marie rights for \$200,000 and entered into a seismic review option agreement with a large independent oil company for a Keg River test well. They had until September 30, 2003 to elect to drill this well. Since the well was not drilled, Endless Energy retained its 66.67% working interest in all rights below the base of the Jean Marie formation, including the Keg River formation.

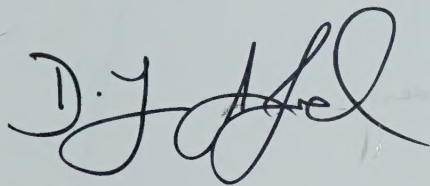
• PRESIDENT'S MESSAGE •

Our Western Canadian property sales reduced debt and seismic option agreements farmed out wells at no cost to the Company. This allowed us to focus on our offshore Nova Scotia opportunities.

Outlook

Our large inventory of defined projects has positioned Endless Energy for substantial near-term growth. At the June 10, 2004 Annual General and Special Meeting, we will ask our shareholders to consider a Plan of Arrangement to combine the interests of the Company and MEI and to approve a critical \$30 million financing for the issuance of over 100% of the current issued and outstanding shares of the Company. At December 31, 2003 there were 15,360,206 shares issued and outstanding. As of May 4, 2004, there are 17,124,656 shares issued basic (19,209,153 shares fully diluted). After the Plan of Arrangement and a \$30 million financing, the total shares outstanding will be approximately 50 million shares, with Endless Energy shareholders owning approximately 35% of the combined company. The new company will have excellent assets and approximately \$28,000,000 in the bank. With the approval of the Plan of Arrangement, the Company intends to drill a well on the Cohasset Block and looks forward to building a larger company, with a meaningful presence in offshore Nova Scotia.

On behalf of the Board of Directors,

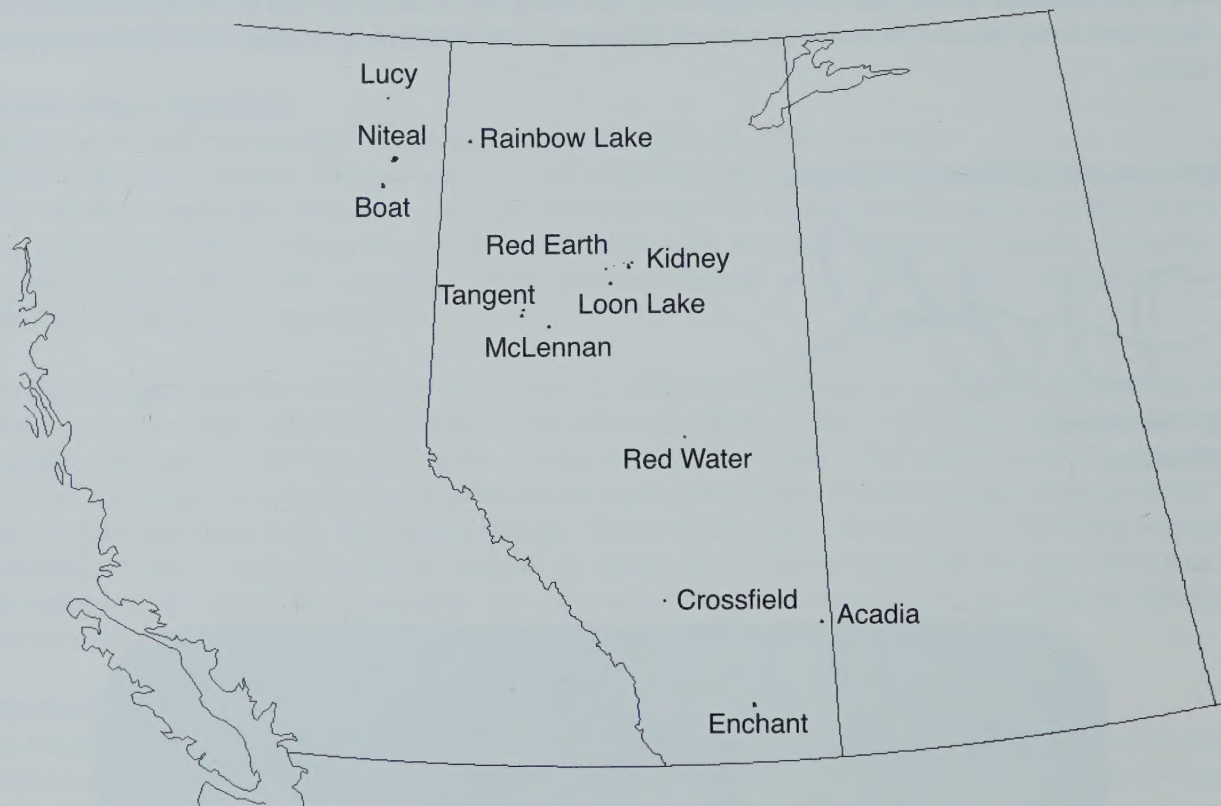


D. Jon Axford
President





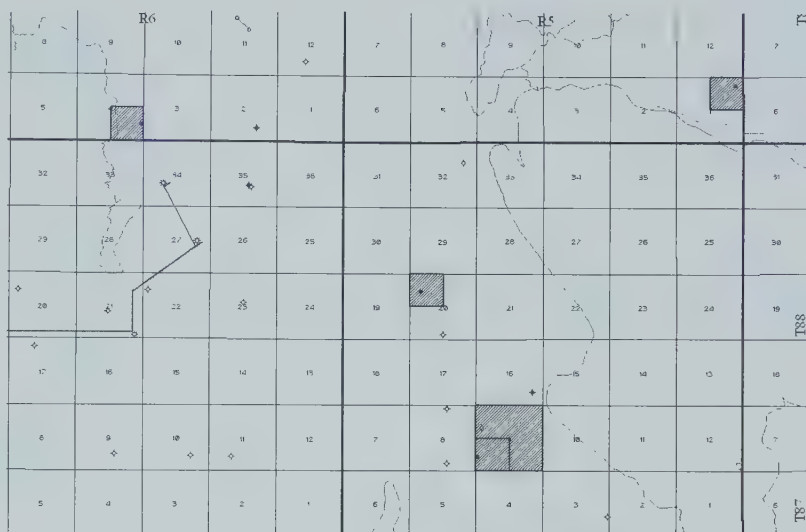
• PROPERTY LOCATIONS •



• PROPERTY LOCATIONS •

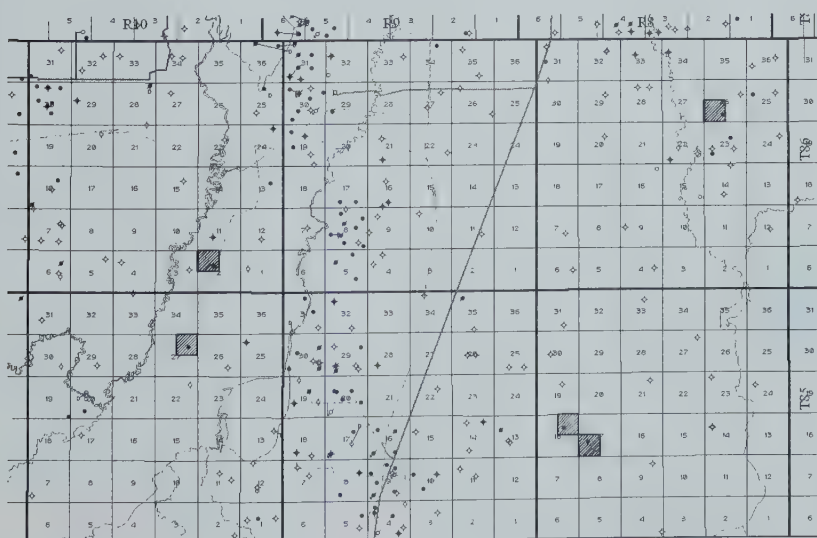
Kidney Property

This property located 230 miles north northwest of Edmonton, Alberta contains four Keg River oil wells and one shut in Wabamun gas well. Production averaged 25 barrels per day this winter 2003/2004. This is a seasonal area which we shut down during spring breakup wet and rainy periods. The Company owns and operates a 100% working interest in the four Keg River oil wells and a 25% working interest in the gas well which is operated by Devon Canada Corporation.

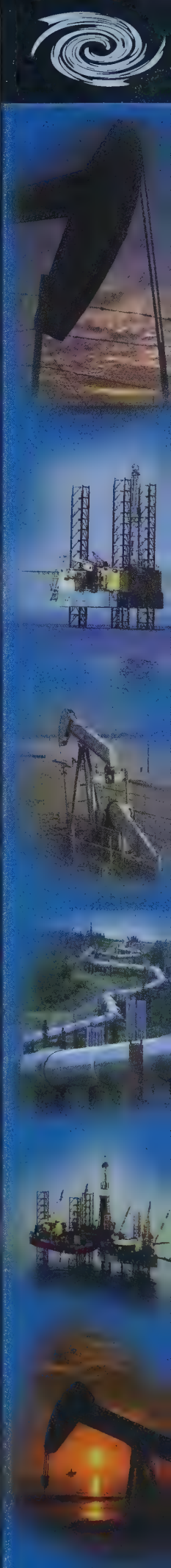


Loon Lake Property

This property located 200 miles north northwest of Edmonton, Alberta contains five oil wells. Three of these wells produce from the Granite Wash formation and Endless Energy owns 100% working interest. One well is a suspended Granite Wash oil well



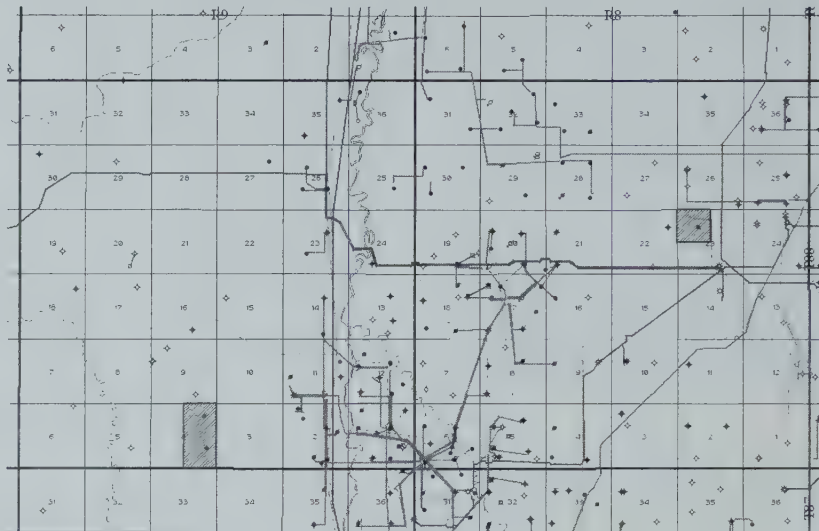
where the Company owns a 33% working interest and one well is producing from the Slave Point formation. All five wells are operated by the Company. This area averaged 20 barrels per day this winter 2003/2004. This production is seasonal and is shut down during spring breakup and wet and rainy periods.



• PROPERTY LOCATIONS •

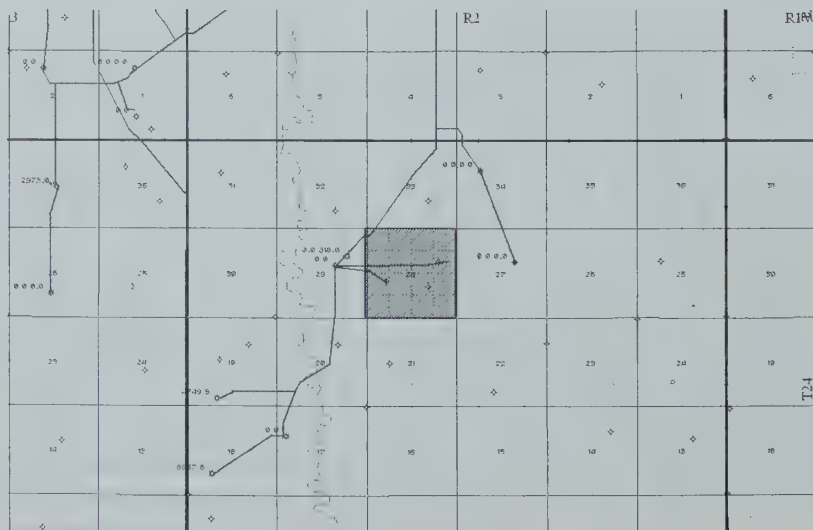
Red Earth Property

This property located 230 miles northwest of Edmonton, Alberta contains three producing oil wells. Two produce from the Slave Point formation and one from the Granite Wash formation. One of these wells was a shut in Granite Wash oil well and Endless Energy successfully re-worked the well in February of 2004 to turn it into a Slave Point producer. The Company owns a 100% working interest and is the operator. This area produced an average of 35 barrels per day during the winter 2003/2004. This production is seasonal and is shut down during spring breakup and wet and rainy periods.



Acadia Property

This property is located 144 miles east of Calgary, Alberta and comprises 640 gross and 70 net acres. Endless Energy is the operator and has an 11% working interest. There is one producing Viking Gas well and one shut in colony gas well. This area averages 5 barrels of oil equivalent per day net to the Company.



• MANAGEMENT DISCUSSION AND ANALYSIS •

The following discussion and analysis for the year ended December 31, 2003 should be read in conjunction with the audited financial statements and the accompanying notes and may contain forward looking information. Actual future results may differ materially from the forward looking information. During 2003, our focus was centered firmly on acquiring 1153845 Nova Scotia Limited ("NSRL"). Significant decisions were made during 2003 to support achievement of that objective. During the year we began to dispose of our Western Canadian producing properties. By July 1, 2003, all of our Western Canadian producing properties had been sold, some to outside interests and some to a related party referred to in the audited financial statements and the accompanying notes. No Western Canadian production was re-established prior to year-end. The 2003 dispositions, combined with a series of private debt and equity placements, provided the funds necessary for Endless to move forward with initiatives that eventually secured the agreement to acquire NSRL.

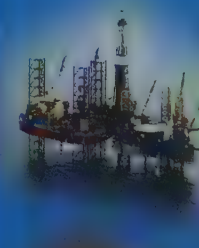
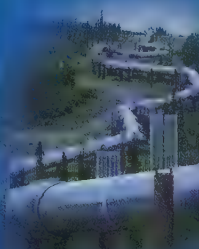
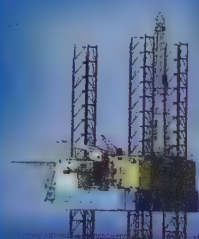
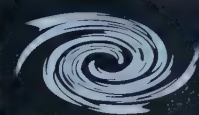
The comparative financial information presented and discussed below relates primarily to Western Canadian assets which were divested on or before July 1, 2003. The historical comparative discussion is, in many respects, not relevant to an assessment of ongoing Company operations or activities.

SELECTED COMPARATIVE FINANCIAL INFORMATION

Annual & Quarterly Information

2003		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues (net of royalties)	\$	228,217	368,518	5,978	471	603,184
Cash Flow From Operations	\$	(140,426)	29,243	(1,020,023)	137,886	(993,320)
Net Earnings	\$	(3,946)	(901,354)	436,144	(342,366)	(811,522)
Per share basic	\$	-	(0.049)	(0.033)	0.018	(0.064)
diluted	\$	-	(0.049)	(0.033)	0.018	(0.064)
Total Assets	\$	2,627,137	1,163,942	658,569	1,716,166	1,716,166

2002		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues (net of royalties)	\$	77,196	99,219	148,296	176,821	501,532
Cash Flow From Operations	\$	(341,985)	(190,152)	106,771	(416,174)	(841,540)
Net Earnings	\$	(146,699)	(121,563)	(125,191)	(1,582,462)	(1,975,915)
Per share basic	\$	(0.013)	(0.011)	(0.010)	(0.138)	(0.172)
diluted	\$	(0.013)	(0.011)	(0.010)	(0.138)	(0.172)
Total Assets	\$	2,362,652	2,168,912	2,678,916	6,206,350	6,206,350



COMPARISON OF 2003 AND 2002 FINANCIAL INFORMATION

As mentioned earlier in this report, the following discussion relates primarily to assets which were divested on or before July 1, 2003.

REVENUE: Oil & Gas and Other

For the year ended December 31, 2003, oil and gas revenue net of royalties was \$603,184 compared to \$501,532 in 2002. The 2003 revenue increase in the first six months related to properties that were sold on or before July 1, 2003. At year-end 2003, the Company had no oil and gas production. Other revenue, derived from interest income, was \$17,398 in 2003 compared to \$4,607 in 2002.

OPERATING COSTS

Operating Costs reported for 2003 were \$184,900 compared to \$164,413 in 2002. Production increases achieved prior to completion of divestitures on July 1, 2003 accounted for the higher comparative period operating costs.

AMORTIZATION AND DEPLETION

Amortization and Depletion was \$122,248 in 2003 compared to \$1,299,400 in 2002. This reduction is attributable to a combination of the impact of dispositions in 2003 and the inclusion in 2002 financial statements of a \$902,000 ceiling test write down.

GENERAL & ADMINISTRATIVE

General and Administrative expenses increased slightly during the year to \$622,742 from \$527,167 in 2002. During 2002, acquisition costs and the increasing cost of asset administration were significant factors contributing to this expense. The increase continued into 2003 with our efforts to purchase NSRL.

DISPOSITIONS OF OIL AND GAS ASSETS

During 2003, the Company sold its Sounding Lake property for \$295,000 (in return for settlement of a related party note payable), shallow rights at Lucy for \$200,000 and six producing properties including Pocketknife, Venus, Fort Saskatchewan, Utikuma, Campbell and Lochend for an aggregate of \$950,000. Proceeds from property sales of \$1,445,000 reduced debt and provided the funds necessary for the purchase of NSRL.

ACQUISITIONS AND OTHER CAPITAL EXPENDITURES

On October 22, 2003, the Company purchased 49% of the shares of NSRL for \$1,600,000 including capitalized expenses. The capitalized expenses were payments related to tax, legal, financial and advisory fees incurred to accomplish the purchase of NSRL.

INCOME TAXES

In spite of major asset dispositions during 2003, no income taxes were payable in 2003. In 2002, a small tax recovery was reported, with \$12,329 relating to current taxes. A future tax recovery of \$57,672, was also reported. At year-end 2003, the Company had outstanding tax pool balances in excess of \$875,019 compared to \$1,569,631 at the end of 2002.

NET LOSS

During 2003, the Company had a net loss of \$811,522 compared with \$1,975,915 for 2002. Sale proceeds from the disposition of properties as well as production income lowered the loss in 2003 versus 2002.

LIQUIDITY AND CAPITAL RESOURCES

During 2003, the Company addressed its financing requirements through asset dispositions and

• MANAGEMENT DISCUSSION AND ANALYSIS •

financings. Net proceeds of \$1,445,000 were raised through the Western Canadian asset dispositions and another \$1,414,000 was raised through financings. The main cash requirements during 2003 related to finance efforts to acquire NSRL, fund one million dollars in forfeited deposits related to the initial failed bid for NSRL and to settle a \$55,000 legal claim. The Company ended 2003 with \$930,031 of cash compared to \$97,318 of cash and a deficit of \$522,771 at the end of 2002. This cash and positive working capital position at the end of 2003 was achieved by the above financings and property sales.

BUSINESS RISKS COMMENTARY

The Company is involved in the exploration, development, production and acquisition of petroleum and natural gas in the Western Canadian Sedimentary Basin and the Scotian Shelf. These activities involve a number of risks and uncertainties inherent in the oil and gas industry.

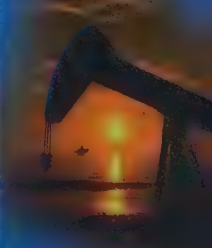
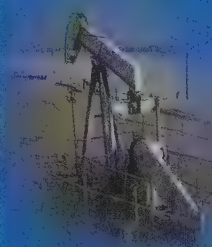
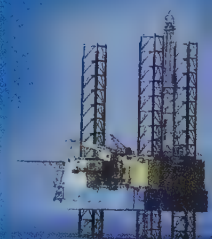
Several risks relating to exploration and development are drilling dry holes, encountering drilling production difficulties, or experiencing high decline rates in producing wells. To minimize these risks, we use experienced staff to carefully evaluate and to efficiently operate wells. In addition, we use prudent safety programs and risk management, including insurance coverage against potential losses.

We are exposed to commodity price and market fluctuations for products of petroleum and natural gas. Commodity prices are influenced by a wide variety of factors most of which are beyond our control. We have not hedged any production and have no immediate plans to hedge any production. We are subject to credit risk with purchasers of the commodities produced. Endless Energy cash flow from operations depends largely on the volume of our petroleum and natural gas production and the price received for such production. The price we receive for oil depends on a number of factors, including West Texas Intermediate prices, Canadian-U.S. currency exchange rates, quality differentials and Edmonton par oil prices. The price we receive for natural gas production is primarily dependent on current Alberta Spot Market prices. Our access to markets may be restricted at times by pipelines or processing capacity.

The petroleum industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulation, controls and taxation policies are amended from time to time. Endless Energy has no control over the level of government intervention or taxation in the petroleum and natural gas industry. However, we operate in such manner to ensure that we are in compliance with all applicable regulations and are able to respond to changes as they occur.

The petroleum industry is also subject to higher environmental regulation standards due to increased environmental awareness. We have reviewed our environmental risks and are in compliance with the appropriate environmental legislation and have determined that there is no current material impact on our operation.

We are subject to financial market risk. In order to maintain a steady future rate of growth, we intend to continue reinvesting in drilling and acquisition of petroleum and natural gas properties. An important source of funding is through the issuance of equity. If we are not able to access the equity markets due to unfavorable market conditions for an extended period of time, this may adversely impact our growth rate.



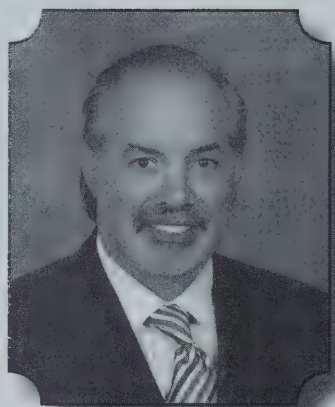
• PERSONNEL •



D. Jon Axford
Director, President, CEO



Janet Leung
Executive Assistant



Larry S. Martin, CA
Chief Financial Officer



Barb Goodwin
Administrative Assistant



Rosemary Kumlin
Accountant



Howard Walls
Gas Marketing

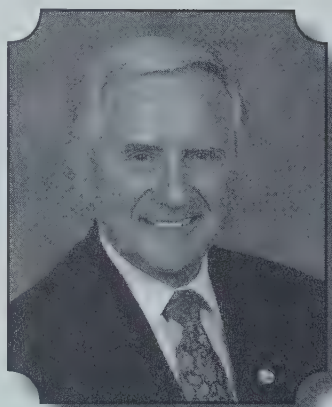
• PERSONNEL •



Donald W. Axford
Director, Chief Geologist



Victor Skurat, MBA
Director, Corporate Finance



Byron J. Seaman
Director



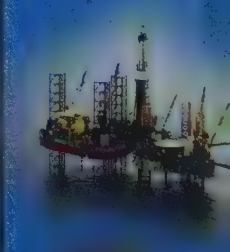
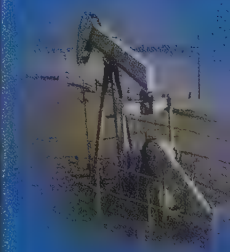
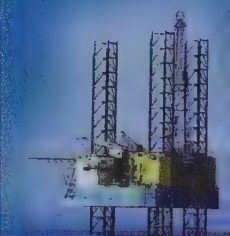
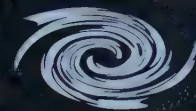
Oscar Erdman
Exploration



Ralph Edie
Exploration



John Andrichuk
Exploration





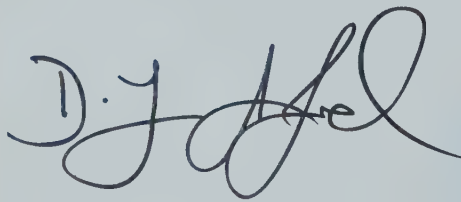
• MANAGEMENT REPORT •

The management of Endless Energy Corp. is responsible for the preparation of the accompanying financial statements and all other information contained in this annual report. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and according to the policies detailed in the notes.

The Company maintains an appropriate system of internal controls to provide reasonable assurance that assets are properly safeguarded and the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management.

Hudson and Company LLP, an independent firm of Chartered Accountants, has examined the financial statements and has provided a professional opinion on them, based on generally accepted auditing standards.

An Audit Committee of the Board of Directors has reviewed these financial statements with management and the external auditors. The Board of Directors has approved the financial statements based on the recommendation of the Audit Committee.



D. Jon Axford
President and Director

May 5, 2004



AUDITORS' REPORT

To: The Shareholders of
Endless Energy Corporation

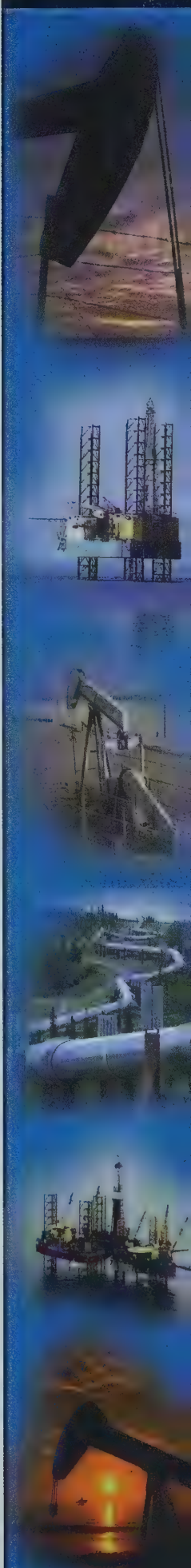
We have audited the balance sheets of **Endless Energy Corporation** (the "Company") as at December 31, 2003 and 2002 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

HUDSON & COMPANY LLP
Chartered Accountants

Calgary, Alberta
April 20, 2004



ENDLESS ENERGY CORPORATION
BALANCE SHEETS

DECEMBER 31	2003	2002
ASSETS		
CURRENT		
Cash	\$ 930,031	\$ 97,318
Accounts receivable	151,495	163,632
Prepaid expenses	45,460	28,736
Share subscription receivable (note 18)	159,005	-
	1,285,991	289,686
RESTRICTED CASH (note 5)	-	4,875,000
INVESTMENT (note 4)	52,596	-
DUE FROM RELATED PARTY (note 6)	3,372	18,172
CAPITAL ASSETS (note 7)	255,582	938,604
WELL ABANDONMENT DEPOSITS (note 8)	118,625	84,888
	\$ 1,716,166	\$ 6,206,350

LIABILITIES		
CURRENT		
Accounts payable	\$ 406,700	\$ 408,571
Note payable (note 9)	-	283,893
Obligation to issue shares (note 18)	500,986	-
	907,686	692,464
DUE TO RELATED PARTY (note 6)	46,045	138,165
SITE RESTORATION COSTS	98,225	43,700
	1,051,956	874,329

SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 11)	3,958,752	7,815,041
DEFICIT	(3,294,542)	(2,483,020)
	664,210	5,332,021
	\$ 1,716,166	\$ 6,206,350

Future operations (note 2)

Contingent liabilities (note 12)

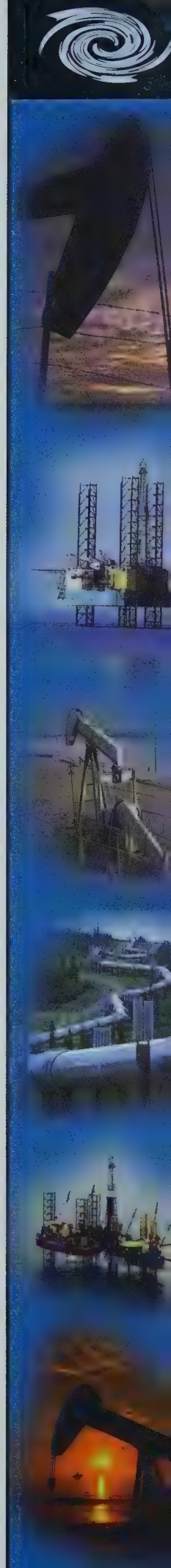
Approved on behalf of the Board

Director

Director

ENDLESS ENERGY CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31	2003	2002
REVENUE		
Petroleum and natural gas, net of royalties	\$ 603,184	\$ 501,532
Interest income	17,398	4,607
	<u>620,582</u>	<u>506,139</u>
EXPENSES		
General and administrative	622,742	527,167
Operating	184,900	164,413
Amortization and depletion	122,248	1,299,400
Bad debts	71,601	-
Provision for site restoration	54,525	19,000
Interest and bank charges	43,675	-
Interest on long term debt	6,603	25,866
	<u>1,106,294</u>	<u>2,035,846</u>
LOSS BEFORE THE FOLLOWING ITEMS	<u>(485,712)</u>	<u>(1,529,707)</u>
OTHER INCOME (EXPENSE)		
Gain on disposition of petroleum and natural gas properties (note 9 & 14)	694,094	-
Cost of failed acquisition (note 17)	(1,019,904)	(516,209)
	<u>(325,810)</u>	<u>(516,209)</u>
LOSS BEFORE INCOME TAXES	<u>(811,522)</u>	<u>(2,045,916)</u>
INCOME TAX RECOVERY		
Current	-	(12,329)
Future (note 10)	-	(57,672)
	<u>-</u>	<u>(70,001)</u>
NET LOSS	<u>(811,522)</u>	<u>(1,975,915)</u>
DEFICIT, beginning of year	<u>(2,483,020)</u>	<u>(507,105)</u>
DEFICIT, end of year	<u>\$ (3,294,542)</u>	<u>\$ (2,483,020)</u>
BASIC AND DILUTED LOSS PER SHARE (note 13)	<u>\$ (0.064)</u>	<u>\$ (0.172)</u>



ENDLESS ENERGY CORPORATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (811,522)	\$ (1,975,915)
Items not affecting cash:		
Amortization and depletion	122,248	1,299,400
Future income taxes	-	(57,672)
Provision for site restoration	54,525	19,000
Gain on disposition of petroleum and natural gas properties	(694,094)	-
	(1,328,843)	(715,187)
Changes in non-cash working capital items		
Accounts receivable	12,137	(109,189)
Prepaid expenses	(16,724)	12,012
Accounts payable	(1,871)	(29,176)
Share subscription receivable	(159,005)	-
Obligation to issue shares	500,986	-
	(993,320)	(841,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment	(52,596)	-
Purchase of capital assets	(177,346)	(293,196)
Proceeds on disposal of capital assets	1,148,321	-
Well abandonment deposits	(33,737)	(84,888)
	884,642	(378,084)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related party	(77,320)	-
Share issuance costs	-	(10,000)
Return of share proceeds to shareholders after failed acquisition	(4,875,000)	-
Change in non-cash working capital - restricted cash	4,875,000	(4,875,000)
Issuance of share capital	1,018,711	5,439,900
	941,391	554,900
INCREASE (DECREASE) IN CASH	832,713	(664,724)
CASH, beginning of year	97,318	762,042
CASH, end of year	\$ 930,031	\$ 97,318
OTHER INFORMATION		
Interest paid	\$ 6,603	\$ 25,866
Income taxes recovered	-	(12,329)

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. NATURE OF OPERATIONS

Endless Energy Corporation (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 27, 1997. On May 31, 2002 the Company was amalgamated with its wholly owned subsidiary Valkyrie Resources Inc. under the Business Corporations Act (Alberta). The Company's principal business is the exploration for and the production of petroleum and natural gas reserves in Western Canada and Nova Scotia.

2. FUTURE OPERATIONS

As at December 31, 2003, the Company incurred losses of \$811,522 (2002 -\$1,975,915).

The Company's ability to continue operations is dependent on its ability to attain profitable operations or to obtain additional financing.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

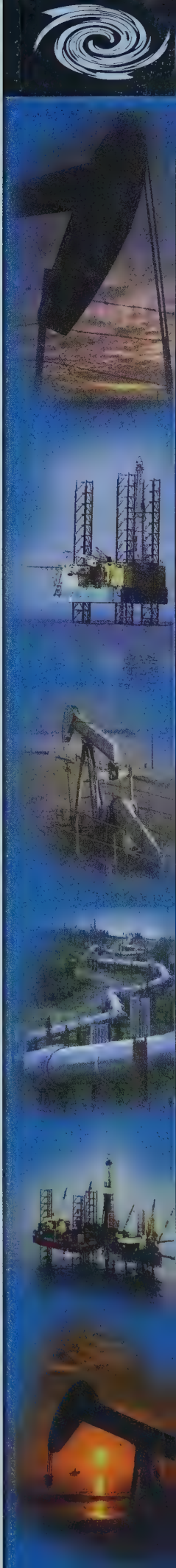
The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the amounts recorded for the provision for amortization and depletion of the petroleum and natural gas properties and the provision for site restoration. These are based on estimates of reserves and future costs. The ceiling test calculation is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other applicable factors. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future years could be material.



ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Cash

Cash consists of balances with financial institutions.

Investments

The Company accounts for investments in companies over which it has significant influence using the equity method.

Joint ventures

Substantially all of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

Capitalized costs

The Company follows the full cost method of accounting whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in a Canadian cost centre and charged against income as discussed below. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-productive properties, cost of drilling both productive and non-productive wells, equipment costs and general and administrative expenses applicable to these activities.

Gains or losses on sales of properties are recognized only when crediting the proceeds to costs would result in a change of 20 percent or more in the depletion and amortization rate.

Amortization and depletion

Amortization and depletion of petroleum and natural gas properties and equipment is provided for using the unit-of-production method based on estimated proven petroleum and natural gas reserves before any royalty deductions as determined by independent engineers. For the purpose of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content where six thousand cubic feet of gas equates to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from costs subject to amortization and depletion until it is determined whether proven reserves are attributable to the properties or impairment occurs.

Computer equipment is recorded at cost and is amortized using the declining balance method at the annual rate of 30%.

Ceiling test

The Company applies a ceiling test to capitalized costs to ensure that the net carrying value of petroleum and natural gas properties does not exceed the estimated value of future net reserves (calculated using December 31, 2003 prices) from the production of proven reserves, less related general and administrative, financing costs, estimated future major development and site restoration costs and income taxes. Any impairment in value is charged to operations.

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Site restoration

The estimated costs of future removal and site restoration of petroleum and natural gas properties are provided for on the unit-of-production method. The annual charge is made to site restoration expense and actual site restoration expenses will be charged to the accumulated future site restoration account as incurred.

Stock-based compensation

The Company has a stock-based compensation plan, which is described in Note 11. Effective January 1, 2003, the Company has prospectively adopted the new accounting requirements with respect to employee share options, whereby the issuance of these options is accounted for at fair value. In the prior period these transactions were accounted for at their intrinsic value, with pro-forma earnings being presented by way of note. The fair value of options is credited to contributed surplus when the options are granted. When the option is exercised, the fair value originally credited to contributed surplus is transferred to share capital together with any amounts paid by the holder on exercise.

Loss per share

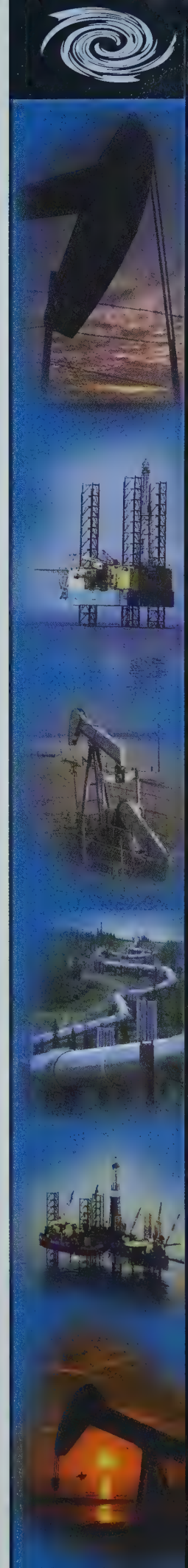
Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated using the treasury stock method for determining the dilutive effects of options.

Flow through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is generated when the related expenditures are incurred and renounced to investors.

Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount and their tax bases. Future income tax assets are recognized for the benefit of any deductions or losses available to be carried forward to future periods for tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in the period of the change.



ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

4. INVESTMENT

	2003	2002
1153845 Nova Scotia Resources Limited	\$ 52,596	\$ -

Effective November 28, 2003, the Company successfully acquired 49% of the shares of 1153845 Nova Scotia Limited, formerly Nova Scotia Resources Limited ("NSRL"). Previous attempts to acquire this investment failed, and acquisition costs in the amount of \$1,019,904 (2002 - \$516,209) were written off (see Note 17). The Company was able to successfully acquire 49% of the shares by securing a third party, Marauder Energies Inc. ("Marauder") to acquire the remaining 51% of the outstanding shares.

5. RESTRICTED CASH

Restricted cash consisted of amounts held in trust and was intended to be used under the terms of a share purchase agreement which was cancelled March 4, 2003. (see Note 11.)

6. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

A law firm in which the Corporate Secretary is a partner provided legal services in the amount of \$48,233 (2002 - \$130,548).

A Company controlled by a Vice President provided management consulting services in the amount of \$72,652 (2002 - \$117,556).

A Company controlled by a Director provided geological consulting services in the amount of \$13,890 (2002 - \$Nil).

A Company controlled by a Director provided financial consulting services in the amount of \$30,000 (2002 - \$Nil).

Certain petroleum and natural gas properties were sold to a related party, in return for cancellation of a note payable (see Note 9).

All year-end balances with related parties are unsecured, non-interest bearing with no set terms of repayment.

These transactions were measured at the exchange amount which is the amount established and agreed to by the related parties.

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

7. **CAPITAL ASSETS**

	2003		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 125	\$ -	\$ 125
Computer equipment	37,348	15,357	21,991
Oil and gas properties	2,766,296	2,532,830	233,466
	<u>\$ 2,803,769</u>	<u>\$ 2,548,187</u>	<u>\$ 255,582</u>
	2002		
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 21,396	\$ 11,109	\$ 10,287
Oil and gas properties	3,461,148	2,532,831	928,317
	<u>\$ 3,482,544</u>	<u>\$ 2,543,940</u>	<u>\$ 938,604</u>

8. **WELL ABANDONMENT DEPOSITS**

Amount consists of funds held in trust to finance future well abandonment costs.

9. **NOTE PAYABLE**

	2003	2002
Promissory note payable with principal balance of \$260,000 plus interest accruing at 10% per annum.	<u>\$ -</u>	<u>\$ 283,893</u>

The note, owing to a related party was cancelled in exchange for certain petroleum and natural gas properties, with a net book value of \$232,301. At the time of disposition, the balance of the note was \$288,644, resulting in a gain on disposition of \$56,343. The transaction was in the normal course of operations, and therefore had been measured at the exchange amount, which is the amount of consideration agreed upon between the related parties.



ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

10. FUTURE INCOME TAXES

a) The components of future income tax balances are as follows:

	2003	2002
Future income tax asset		
Non-capital loss carry-forwards	\$ 116,619	\$ 222,467
Tax basis of capital assets in excess of carrying amount	232,740	242,746
Share issuance costs	84,381	49,721
Capital loss carryforward	290,830	102,395
Site restoration	37,934	-
Other	(1,830)	11,475
	<u>760,674</u>	<u>628,804</u>
Valuation allowance	<u>(760,674)</u>	<u>(628,804)</u>
	<u>\$ -</u>	<u>\$ -</u>

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 40.62% (2002 - 42.1%) to the loss for the years as follows:

	2003	2002
Loss for the year before income taxes	<u>\$ (811,522)</u>	<u>\$ (2,045,916)</u>
Anticipated income tax recovery	\$ (329,640)	\$ (861,331)
Non-deductible portion of capital loss	207,143	102,395
Non-deductible crown payments	26,481	7,589
Sundry non-taxable income	-	(12,509)
Resource allowance	21,908	20,003
Change in valuation allowance	131,870	673,852
Share issue costs incurred	69,080	-
Application of previous years non-capital losses to current year taxable income	(105,380)	-
Effect of change in statutory tax rates	(56,805)	-
Other	35,343	-
Provision for income taxes	<u>\$ -</u>	<u>\$ (70,001)</u>

The Company has the following balances available to be applied to reduce future taxable income:

Cumulative eligible capital	\$ 16,796
Undepreciated capital cost	66,950
Canadian exploration expenses	791,273

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

10. FUTURE INCOME TAXES, continued

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2007	\$ 64,008
2008	90,705
2009	<u>147,253</u>
	<u>\$ 301,966</u>

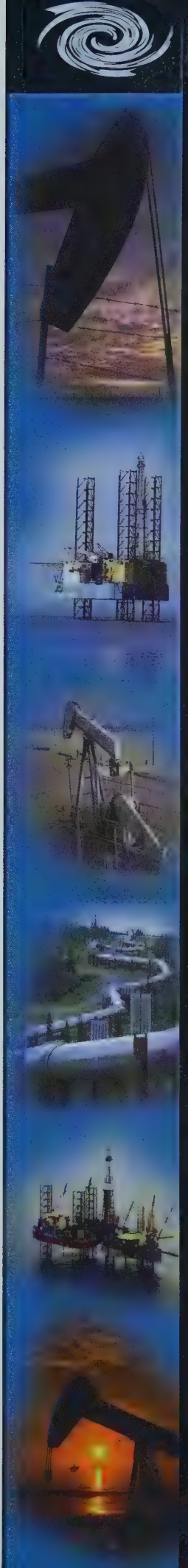
11. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares, issuable in series

b) Common shares issued

	Number	Amount
Balance December 31, 2001	10,918,349	\$ 2,429,528
Flow through shares issued for cash, net of future income taxes of \$16,800 related thereto.	133,000	23,100
Escrowed shares issued for cash held in trust.	9,750,000	4,875,000
Common shares issued for cash, net of share issue costs of \$37,587.	<u>1,500,000</u>	<u>487,413</u>
Balance December 31, 2002	22,301,349	7,815,041
Escrowed shares returned along with cash (see Note 5).	(9,750,000)	(4,875,000)
Private placements, net of share issue costs of \$170,063.	1,093,476	225,204
Convertible debentures issued during year, converted December 31, 2003.	500,000	220,000
Flow through shares issued.	1,060,000	530,000
Broker warrants exercised.	<u>155,381</u>	<u>43,507</u>
Balance December 31, 2003	<u>15,360,206</u>	<u>\$ 3,958,752</u>



ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

11. SHARE CAPITAL, continued

Pursuant to an escrow agreement dated November 1, 2002, 9,750,000 common shares were held in escrow with the condition that they were to be released on the completion of a share purchase agreement. During the current year, it was determined that the share purchase agreement could not be completed and the Company cancelled the shares, and refunded the cash received, which was held in trust.

Share issuances consist of the following:

On September 22, 2003, 200,000 common shares were issued for \$20,000.

On November 13, 2003, 300,000 common shares were issued pursuant to conversion of \$120,000 of convertible debentures issued on September 22, 2003.

On December 19, 2003, 200,000 common shares were issued pursuant to conversion of \$100,000 of convertible debentures issued on September 23, 2003.

On December 19, 2003, 60,000 flow-through shares were issued for \$30,000.

On December 19, 2003, 893,476 common shares were issued for \$375,260.

On December 31, 2003, 1,000,000 flow-through shares were issued for \$500,000.

On December 31, 2003, 155,381 common shares were issued pursuant to the exercise of broker warrants (which were issued in respect of the above private placements) for proceeds of \$43,507.

Share issue costs of \$170,063 were incurred in respect of common share private placements.

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

11. SHARE CAPITAL, continued

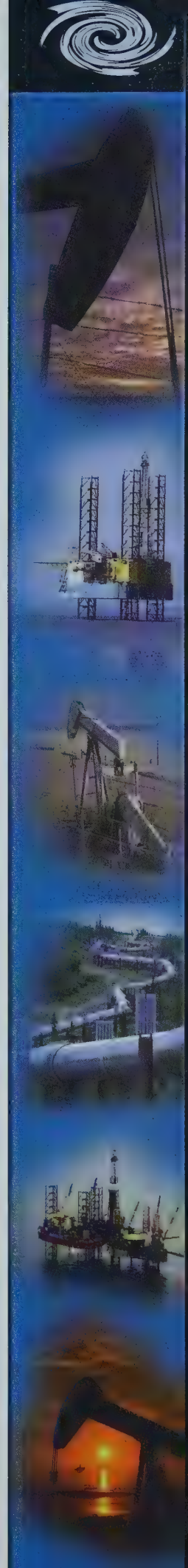
c) Share option plan

The Company has a stock option plan which allows for the issuance of options to purchase shares at specific prices for a period of time. The maximum number of shares issuable pursuant to options granted under the plan are limited to 10% of the total issued and outstanding common shares subject to shareholder approval. All options under the plan vest immediately. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option will be set by the Board of Directors at the time of issue of the option but in any event will not be more than five years after the grant date.

During the previous year the Company issued 150,000 share options to employees. The fair value of these options granted to employees (not recorded) was \$37,410 using the assumptions of a risk-free interest rate of 5.2%, an expected options life of 5 years, an expected volatility of 270% and expected dividends of \$Nil. Loss and proforma adjustments are presented below:

	2003	Basic and diluted loss per share	2002	Basic and diluted loss per share
Loss as reported	\$ (811,522)	\$ (0.06400)	\$ (1,975,915)	\$ (0.17200)
Proforma adjustment	-	-	(37,410)	(0.00300)
	<u>\$ (811,522)</u>	<u>\$ (0.06400)</u>	<u>\$ (2,013,325)</u>	<u>\$ (0.17500)</u>

	Number	Weighted average exercise price
Outstanding December 31, 2001	720,000	\$ 0.30
Granted	<u>150,000</u>	0.30
Outstanding December 31, 2002	870,000	-
Expired	<u>(100,000)</u>	(0.30)
Outstanding December 31, 2003	<u>770,000</u>	<u>\$ 0.30</u>



ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

11. **SHARE CAPITAL, continued**

Options outstanding	Exercise price	Options exercisable at December 31, 2003	Expiry date
320,000	\$ 0.30	320,000	May 15, 2005
150,000	0.30	150,000	June 26, 2005
150,000	0.30	150,000	May 1, 2006
150,000	0.30	150,000	March 1, 2007
<hr/>		<hr/>	
770,000		770,000	

d) Warrants

As at December 31, 2003, share purchase warrants were outstanding as detailed below. These warrants were exercised subsequent to year-end, as described in Note 18.

2003		2002	
Warrants outstanding	Exercise price	Warrants outstanding	Exercise price
129,450	\$ 0.28	-	\$ -

12. **CONTINGENT LIABILITIES**

The placement agent involved in a failed share placement agreement has filed claims against the Company for \$4,480,000 for breaches of Agency and Engagement Agreements. The Company believes that the claims are without merit and consequently no amount has been recorded in the financial statements for this claim. Any amounts which the Company may have to pay with respect to these agreements will be reflected in the period of settlement.

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

13. LOSS PER SHARE

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect of stock options outstanding. Earnings per share is calculated as follows:

	2003			2002		
	Net loss	Shares	Net loss per share	Net loss	Shares	Net loss per share
Basic and diluted	(811,522)	12,683,518	(0.064)	(1,975,915)	11,484,849	(0.172)

14. DISPOSITION OF PETROLEUM AND NATURAL GAS PROPERTIES

During the year, the Company sold all of its producing petroleum and natural gas properties, for net proceeds of \$1,432,214. The net book value of petroleum and natural gas properties was reduced by \$738,120, resulting in a gain of \$694,094. Proceeds include cancellation of a note payable to a related party, as discussed in Note 9.

15. LEASE COMMITMENT

The Company's total commitment, under a property lease agreement, exclusive of occupancy costs, is as follows:

2004	\$ 21,787
2005	29,050
2006	29,050
2007	29,050
2008	29,050
Subsequent	7,262
	<u>\$ 145,249</u>

16. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable and due from related party which will result in future cash receipts, as well as accounts payable and due to related party which will result in future cash outlays.

It is management's opinion that the fair values of accounts receivable and accounts payable approximates their carrying values due to the short term maturity of those instruments.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

16. FINANCIAL INSTRUMENTS, continued

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a significant number of customers which minimizes concentration of credit risk.

17. COSTS OF FAILED ACQUISITION

During the year ended December 31, 2002, the Company entered into a share purchase agreement requiring the payment of a non-refundable deposit of \$400,000. The Company was unable to complete the share purchase agreement within a specified time period and consequently forfeited the deposit. Also incurred were legal and accounting fees of \$116,209, for a total loss of \$516,209. During the current year, a new share purchase agreement was entered into in respect of the same shares. On March 4, 2003, the Company was unable to satisfy the new agreement, resulting in a further loss of \$1,019,904. On November 28, 2003, the Company was able to successfully effect the share purchase, as described in Note 4.

ENDLESS ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

18. **SUBSEQUENT EVENTS**

On January 5, 2004, 125,926 share purchase warrants were issued to an outside party as a finders' fee for private placements. Each warrant entitles the holder to purchase one common share for \$.54 and expires on December 31, 2004. The approximate fair value of these warrants is \$52,795. This amount will be included in share issue costs.

On January 6, 2004, 129,450 common shares were issued pursuant to exercise of broker warrants. \$36,246 was received before December 31, 2003, and has been included in obligation to issue shares.

On January 6, 2004, 1,147,000 common shares were issued pursuant to private placements. \$464,740 was received before December 31, 2003, and has been included in obligation to issue shares.

On January 8, 2004, \$159,005 was received on share subscriptions receivable.

On January 16, 2004, a private placement for 20,000 common shares at \$.50 each were effected.

On January 16, 2004, 800,000 share purchase options were issued to employees of the Company. Each option entitles the holder to purchase one common share for \$.65 and expires on January 15, 2009. The approximate fair value of these options is \$513,453.

On January 29, 2004, the Company acquired all of the issued and outstanding shares of Mistahiya Resources Ltd. ("Mistahiya") for \$270,000. Book values of net identifiable assets of Mistahiya were not available at the time these financial statements were prepared.

On February 10, 2004, private placements for 200,000 common shares at \$.50 each were effected.

On March 16, 2004, 40,000 share purchase options were issued to an employee of the Company. Each option entitles the holder to purchase one common share for \$1.30 and expires on March 15, 2009. The approximate fair value of these options is \$51,345.

The annual and special meeting of the holders of common shares is to be held on June 10, 2004 to consider a proposed plan of arrangement and approve the following:

(a) Issuance of 8,000,000 flow-through shares and 4,000,000 common shares and share purchase warrants for proceeds of approximately \$30,000,000 by way of a private placement.

(b) Purchase of Mistahiya from the Company, by two Directors for \$965,000 which is to be paid for by tendering 606,918 Endless Energy Corp. shares which are presently held by the two Directors.

(c) Marauder exchanging its NSRL shares for 19,361,510 of the Company's common shares

(d) The Company changing its name to Marauder Resources East Coast Inc.





• FINANCIALS •

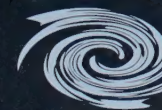
ENDLESS ENERGY CORPORATION NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

19. **COMPARATIVE FIGURES**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

• CORPORATE INFORMATION •



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Directors

D. Jon Axford ^{1,3,4}
Donald W. Axford ¹
Byron J. Seaman ¹
Victor Skurat ²

Management

D. Jon Axford ^{1,3,4}	President
Larry S. Martin, C.A. ⁴	Chief Financial Officer
Victor Skurat ²	Corporate Secretary
Barbara Goodwin	Administrative Assistant
Janet Leung	Executive Assistant

Bankers

Canadian Western Bank
Calgary, Alberta

Engineers

Martin Brusset
Calgary, Alberta

Registrar & Transfer Agent

Computershare Investor
Services Inc.
Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange
Symbol: EEC

Auditors

Hudson & Company LLP
Chartered Accountants
Calgary, Alberta

Legal Counsel

Morris S. McManus, O.C.
Calgary, Alberta
McInness Cooper
Halifax, Nova Scotia

For further information contact

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- ¹ Audit Committee member
² Corporate Governance Committee member
³ Safety and Environmental Committee member
⁴ Oil and Gas Reserves Committee member





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Trading Symbol: EEC